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FISCAL IMPACT STATEMENT

LS 7381

BILL NUMBER: SB 582

NOTE PREPARED: Jan 17, 2007

BILL AMENDED:

SUBJECT: Preferred Provider Agreements.

FIRST AUTHOR: Sen. Mishler

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill specifies that requirements that apply to an insurer that enters into a preferred provider plan agreement also apply to any other person that enters into a similar agreement.

Effective Date: July 1, 2007.

Explanation of State Expenditures: The bill's provisions require that any provider agreeing to meet the terms and conditions of a participating provider contract must be allowed to enter into a contract with the health plan. These provisions would tend to increase health plan costs by making it more difficult to influence medical practice patterns by limiting managed care plans' ability to funnel patients to specific providers. The provision may lessen the plans' power to obtain volume discounts. Consequently, the provisions might reduce plans' effectiveness in negotiating price discounts with medical providers. Additionally, if the provisions result in an increase in the number of providers in a network, administrative costs for the network could also increase.

According to NCSL, "Any Willing Provider" requirements on HMOs can impact HMO costs by 9.1% to 28.7% of costs. Approximately 11,000 state employees are enrolled in an HMO plan for 2007. Estimated increased costs for health insurance premiums are provided below.

HMO	Type	Annual State + Employee Costs	# of Enrolled Employees	Total	9.1% to 28.7% increase
M-Plan	Single	\$5,126	3,665	\$18.7 M	\$1.7 M to \$5.3 M
	Family	\$13,979	6,132	\$85.7 M	\$7.8 M to \$24.5 M
Wellborn	Single	\$4,685	409	\$1.9 M	\$0.17 M to \$0.54 M
	Family	\$12,900	857	\$11.0 M	\$1.0 M to \$3.1 M
Total			11,063	\$117 M	\$10.6 M to \$33.4 M

Based on current state employee enrollment in HMO plans and current enrollment fees, additional costs to the plans are estimated to range from \$10.6 M to \$33.4 M, annually. The increase in costs could shift many enrollees into other plans. The extent to which any increased costs are passed on to the state or the state's employees depends on administrative decisions.

Explanation of State Revenues:

Explanation of Local Expenditures: Similar to the state, increased premiums and enrollment fees arising from point-of-service and Any Willing Provider requirements, may or may not result in additional costs to local governments and school corporations, depending upon administrative action as to the determination of the employer/employee cost share for health plan benefits offered to employees. The impact on local units of government would differ by local unit.

Explanation of Local Revenues:

State Agencies Affected: All

Local Agencies Affected: Local governments; School corporations.

Information Sources: <http://content.healthaffairs.org/cgi/reprint/14/4/297.pdf>; NCSL, Dick Cauchi, NCSL; *Health Policy Tracking Service Issue Brief: Point-of-Service*, 10/1/98; NCSL, *Health Policy Tracking Service Issue Brief: Any Willing Provider*, 10/1/98.

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